

04-19-2002



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RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

U.S. DEPARTMENT OF COMMERCE
U.S. Patent and Trademark Office

Form PTO-1594
(Rev. 03/01)
OMB No. 0651-0027 (exp. 5/31/2002)
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CORP
4-19-02

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

ReBath, LLC

- Individual(s)
- General Partnership
- Corporation-State
- Other Limited Liability Co. (DE)
- Association
- Limited Partnership

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other correction
- Merger
- Change of Name

Execution Date: 1/18/02 *of Receiving party on reel 2442/494/*

2. Name and address of receiving party(ies)

Name: Comerica Bank-California

Internal Address: One Arizona Center

Street Address: 400 East Van Buren, Suite 900

City: Phoenix State: AZ Zip: 85004

- Individual(s) citizenship
- Association
- General Partnership
- Limited Partnership
- Corporation-State
- Other Bank

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s) _____

B. Trademark Registration No.(s) 1,285,159;

1,876,486; 1,864,893

Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Kathryn Sevier Phillips, Esq.

Internal Address: Stites & Harbison, PLLC

SunTrust Center, Suite 1800

Street Address: 424 Church Street

City: Nashville State: TN Zip: 37219

6. Total number of applications and registrations involved: 3

7. Total fee (37 CFR 3.41).....\$ 90.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

DO NOT USE THIS SPACE

9. Signature. To correct the name and address of the receiving party identified on reel and frame number 002442/0494

04/19/2002 DRYNE 00000259 1285159
Alexandra Mackay

Name of Person Signing 1 50.00 OP

Alex

Signature

4/18/02

Date

Total number of pages including cover sheet, attachments, and document: 1

Mail documents to be recorded with required cover sheet information to:
Commissioner of Patent & Trademarks, Box Assignments
Washington, D.C. 20231

01 FC:481
02 FC:482

TRADEMARK
REEL: 002450 FRAME: 0229



02-13-2002

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Form PTO-159 (Rev. 03/01) OMB No. 0651-0027 (2/01/2002) **F**

U.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office

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101981548

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):
ReBath, LLC **2-7-02**

Individual(s) Association
 General Partnership Limited Partnership
 Corporation-State
 Other Limited Liability Co. (DE)

Additional name(s) of conveying party(ies) attached? Yes No

2. Name and address of receiving party(ies)
Name: Comerica Bank
Internal Address: Comerica Tower at Detroit Center
Street Address: 500 Woodward Ave., M/C 3391
City: Detroit State: Mi Zip: 48226

Individual(s) citizenship
 Association
 General Partnership
 Limited Partnership
 Corporation-State
 Other Bank

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
 (Designations must be a separate document from assignment)
 Additional name(s) & address(es) attached? Yes No

3. Nature of conveyance:
 Assignment Merger
 Security Agreement Change of Name
 Other _____

Execution Date: 1/18/02

4. Application number(s) or registration number(s):
 A. Trademark Application No.(s) _____
 B. Trademark Registration No.(s) 1,285,159;
1,876,486; 1,864,893

Additional number(s) attached Yes No

6. Total number of applications and registrations involved: **3**

5. Name and address of party to whom correspondence concerning document should be mailed:
 Name: Kathryn Sevier Phillips, Esq.
 Internal Address: Stites & Harbison, PLLC
 SunTrust Center, Suite 1800
 Street Address: 424 Church Street
 City: Nashville State: TN Zip: 37219

7. Total fee (37 CFR 3.41) \$ 120.00
 Enclosed
 Authorized to be charged to deposit account

8. Deposit account number: _____

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9. Signature. To the best of my knowledge and belief, the information contained on the cover sheet is true and correct and the copy submitted is a true and correct copy of the original document.

ALEXANDER T. MACKAY 02.06.02
 Name of Person Signing Signature Date

02/12/2002 BYRNE 00000036 1285159 Total number of pages including cover sheet, attachments, and document: **21**

01 FC:481
02 FC:482

40.00 OP
50.00 OP

All documents to be recorded with required cover sheet information to:
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Washington, D.C. 20231

Refund Ref: 02/12/2002 D11006
CHECK Refund Total: \$30.00

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REEL: 002450 FRAME: 0230

SECURITY AGREEMENT AND COLLATERAL ASSIGNMENT OF CONTRACTS

THIS SECURITY AGREEMENT ("Agreement") is made and entered into as of the 18th day of January 2002, by and among AMRB, LLC, a Delaware limited liability company ("AMRB"), AmBath, LLC, a Delaware limited liability company ("AmBath"), and ReBath, LLC, a Delaware limited liability company ("ReBath" and, together with AMRB and AmBath, the "Debtors" and each individually a "Debtor"), in favor of COMERICA BANK – CALIFORNIA, a California banking corporation ("Secured Party").

FACTUAL BACKGROUND

A. The Debtors have entered into a Credit Agreement of even date herewith ("Credit Agreement") with Secured Party pursuant to which Secured Party has agreed to advance funds to or for the benefit of such parties as well as for the benefit of other subsidiaries or affiliates of The Debtors that hereafter become "borrowers", from time to time upon the terms contained therein.

B. Secured Party has agreed to advance funds to the Debtors upon the terms and conditions set forth in the Credit Agreement, on the express condition that the Debtors execute and deliver this Agreement as collateral security for the advances.

C. All undefined capitalized terms used herein shall have the meaning given them in the Credit Agreement.

1. SECURITY INTEREST

Each of the Debtors hereby grants to Secured Party a security interest ("Security Interest") in all of such Debtors' right, title and interest in and to the personal property described on Schedule A attached hereto ("Collateral").

2. COLLATERAL ASSIGNMENT

Each of the Debtors hereby assigns, transfers and sets over to Secured Party all of Debtors' right, title and interest in and to the contracts and agreements listed on Schedule A-1 attached hereto (the "Contracts"), together with all amendments, addenda, supplements, modifications and extensions thereto, whether made now or hereafter (the "Collateral Assignment").

3. OBLIGATIONS SECURED

The Security Interest and Collateral Assignment shall secure, in such order of priority as Secured Party may elect, the payment, performance and observance of the Obligations referred to in the Credit Agreement together with all sums, covenants and obligations which are to be paid, performed or satisfied under the Related Documents and any other documents, instruments

or certificates delivered to Secured Party in connection with the Loans (collectively, "**Obligations**").

4. USE; LOCATION; CONSTRUCTION

Each of the Debtors hereby covenants that until the Obligations are repaid and performed in full:

4.1 The Collateral is or will be used or produced primarily for business purposes.

4.2 The Collateral will be kept at the Debtors' places of business at the location(s) listed on Schedule B attached hereto.

4.3 The Debtors' records concerning the Collateral will be kept at the Debtors' places of business at the location(s) listed on Schedule B attached hereto.

4.4 AMRB will not do business under any name other than AMRB, LLC.

4.5 AmBath will not do business under any name other than AmBath, LLC.

4.6 ReBath will not do business under any name other than ReBath, LLC.

5. REPRESENTATIONS AND WARRANTIES OF THE DEBTORS

Each of the Debtors hereby represents and warrants, as of the date of this Agreement and at all times until the Obligations are repaid and performed in full, that:

5.1 The Debtors are the owners of and hold good title to the Collateral free of all claims, liens, security interests and other encumbrances except the Security Interest and Permitted Liens, and no financing statement covering the Collateral is filed or recorded in any public office except with respect to any Permitted Liens.

5.2 The Collateral is, and is intended to be, used, produced or acquired by the Debtors for use primarily for business purposes. The address(es) of the Debtors set forth on Schedule B attached hereto is/are the business and chief executive office(s) of the Debtors.

5.3 Each account, chattel paper or general intangible included in the Collateral is genuine and enforceable in accordance with its terms against the party named therein which is obligated to pay the same ("**Obligor**"). To the knowledge of the Debtors, based upon a reasonable inquiry, each Obligor is solvent, and the amount that the Debtors have represented to Secured Party as owing by each such Obligor is the amount actually and unconditionally owing by that Obligor, without deduction except for normal cash discounts where applicable. To the knowledge of the Debtors, based upon a reasonable inquiry, no Obligor has any defense, setoff, claim or counterclaim against any of the Debtors that can be asserted against Secured Party whether in any proceeding to enforce the Security Interest or otherwise. Each document, instrument and chattel paper included in the Collateral is complete and regular on its face and free from evidence of forgery or alteration. No default has occurred in connection with any

instrument, document or chattel paper included in the Collateral, no payment in connection therewith is overdue and no presentment, dishonor or protest has occurred in connection therewith.

5.4 The execution, delivery and performance by the Debtors of this Agreement and all other documents and instruments relating to the Obligations will not result in any breach of the terms and conditions or constitute a default under any agreement or instrument under which any of the Debtors is a party or is obligated or to which any of the Debtors' assets are subject. None of the Debtors are in default in the performance or observance of any covenants, conditions or provisions of any such agreement or instrument.

5.5 The Security Interest in the Collateral granted to Secured Party constitutes, and hereafter will constitute, a security interest of first priority, other than liens or security interests created by Capital Leases and purchase money liens or security interests in favor of suppliers incurred in the ordinary course of business for the purposes of purchasing materials or inventory so long as such purchase money liens or security interests arise pursuant to bona fide sales at prices consistent with prevailing market prices and do not secure amounts in excess of the limits provided in the Credit Agreement.

5.6 Each of the Debtors has the full power, authority and legal right to make the Collateral Assignment and to grant to Secured Party the Security Interest, and no further consent, authorization, approval or other action is required for the Collateral Assignment, the grant of the Security Interest or for Secured Party's exercise of its rights and remedies under this Agreement.

5.7 Each of the Contracts is in full force and effect as of the date hereof.

6. COVENANTS OF THE DEBTORS

6.1 Except as otherwise permitted in the Credit Agreement, and except as to its inventory which may be sold in the ordinary course of business and obsolete personalty disposed of in the ordinary course of business, the Debtors shall not sell, transfer, assign or otherwise dispose of any Collateral or any interest therein without obtaining the prior written consent of Secured Party and shall keep the Collateral free of all security interests or other encumbrances except the Security Interest and any Permitted Liens. Proceeds of Collateral are covered by this Agreement, but the grant of the security interest in proceeds shall not be construed that Secured Party has consented to any sale or other transfer of the Collateral.

6.2 The Debtors shall keep and maintain the Collateral in good condition and repair and shall not use the Collateral in violation of any provision of this Agreement or any applicable statute, ordinance or regulation or any policy of insurance insuring the Collateral.

6.3 The Debtors shall provide and maintain insurance in accordance with the provisions of the Credit Agreement.

6.4 The Debtors shall give prompt written notice to Secured Party of the happening of any casualty to or in connection with the Collateral or any part thereof, whether or not covered

by insurance. In the event of such casualty, the gross proceeds of the insurance relating to the Collateral ("**Insurance Proceeds**"), less all expenses (including attorneys' fees) incurred in the collection of such Insurance Proceeds, shall be payable to Secured Party, and the Debtors hereby authorize and direct any affected insurance company to make payment of such Insurance Proceeds directly to Secured Party. If any of the Debtors receives any Insurance Proceeds, such Debtor shall promptly pay over such Insurance Proceeds to Secured Party. Secured Party is hereby authorized and empowered by each of the Debtors at Secured Party's option and in Secured Party's sole discretion, as attorney-in-fact for each of the Debtors, with full power of substitution, to make proof of loss, to appear in and prosecute any action arising from any policy or policies of insurance, and to settle, adjust, or compromise any claim for loss, theft, damage or destruction under any policy or policies of insurance. The appointment granted herein is a power coupled with an interest. None of the Debtors shall settle, adjust or compromise any claim for loss, theft, damage or destruction of the Collateral or any part thereof under any policy or policies of insurance without the prior written consent of Secured Party to such settlement, adjustment or compromise. In the event of any loss, theft, damage to or destruction of the Collateral, all, or any part, of the Insurance Proceeds may be applied to the Obligations or to the replacement, restoration and repair of the Collateral, as Secured Party may determine in its sole and absolute discretion; provided, however, that if Secured Party requires the Debtors to replace, restore and repair the Collateral, or if the Collateral is necessary for the operation of the Debtors' business and no Event of Default has occurred and is then continuing, then Secured Party shall remit or make available to the Debtors all Insurance Proceeds up to the amount required to complete such replacement, restoration and repair, and all such Insurance Proceeds shall be applied solely to the replacement, repair and restoration of the Collateral. Nothing herein contained shall be deemed to excuse the Debtors from maintaining the Collateral as provided in Section 6.2 hereof, replacing any lost or stolen Collateral or replacing or restoring all damage or destruction to the Collateral, regardless of whether or not there are Insurance Proceeds available to the Debtors or whether any such Insurance Proceeds are sufficient in amount. Application or release by Secured Party of any Insurance Proceeds shall not cure or waive any default, notice of default or Event of Default under this Agreement or invalidate any act done pursuant to such notice.

6.5 The Debtors shall pay when due all taxes, assessments and other charges which may be levied or assessed against the Collateral.

6.6 The Debtors shall prevent any portion of the Collateral that is not a fixture from being or becoming a fixture and shall prevent any portion of the Collateral from being or becoming an accession to other goods that are not part of the Collateral.

6.7 The Debtors, upon demand, shall promptly deliver to Secured Party all instruments, documents and chattel paper included in the Collateral and all invoices, shipping or delivery records, purchase orders, contracts, endorsements or other items related to the Collateral. The Debtors shall notify Secured Party immediately of any default by any Obligor in the payment or performance of its Obligations with respect to any Collateral. None of the Debtors, without Secured Party's prior written consent, shall make or agree to make any material alteration, modification or cancellation of, or substitution for, or credit adjustment or allowance on, any Collateral.

6.8 The Debtors shall give Secured Party immediate written notice of any change in the name under which any of the Debtors does business or in the location of: (i) any of the facilities of the Debtors, including without limitation, the Debtors' chief executive office(s); (ii) the Collateral or any part thereof; or (iii) the Debtors' records concerning the Collateral.

6.9 Secured Party or its agents may inspect the Collateral at reasonable times and may enter into any premises where the Collateral is or may be located. The Debtors shall keep records concerning the Collateral in accordance with generally accepted accounting principles. Secured Party shall have free and complete access to the Debtors' records and shall have the right to make extracts therefrom or copies thereof. Upon request of Secured Party from time to time, the Debtors shall submit up-to-date schedules of the items comprising the Collateral in such detail as Secured Party may require.

6.10 The Debtors, at their cost and expense, shall protect and defend this Agreement, all of the rights of Secured Party hereunder, and the Collateral against all claims and demands of other parties, including without limitation defenses, setoffs, claims and counterclaims asserted by any Obligor against the Debtors and/or Secured Party. The Debtors shall pay all claims and charges that, in the opinion of Secured Party, might prejudice, imperil or otherwise affect the Collateral or the Security Interest. The Debtors shall promptly notify Secured Party of any levy, distraint or other seizure by legal process or otherwise of any part of the Collateral and of any threatened or filed claims or proceedings that might in any way affect or impair the terms of this Agreement.

6.11 The Debtors shall file and maintain with the U.S. Patent and Copyright Office and any other governmental authority, whether federal or state, all applications, notices, certificates and other documentation as is necessary to protect, preserve and perfect Secured Party's lien on all logos, insignia, trademarks, trade names and patents now or hereafter utilized for or in connection with the business of the Debtors.

6.12 The Security Interest, at all times, shall be perfected and except for Permitted Liens shall be prior to any other interests in the Collateral. The Debtors shall act and perform as necessary and shall execute and file all security agreements, financing statements, continuation statements and other documents requested by Secured Party to establish, maintain and continue the perfected Security Interest. The Debtors, on demand, shall promptly pay all costs and expenses of filing and recording, including the costs of any searches, deemed necessary by Secured Party from time to time to establish and determine the validity and the continuing priority of the Security Interest.

6.13 If the Debtors shall fail to pay any taxes, assessments, expenses or charges, to keep all of the Collateral free from other security interests, encumbrances or claims, other than for Permitted Liens, to keep the Collateral in good condition and repair, to procure and maintain insurance thereon, or to perform otherwise as required herein, Secured Party may advance the monies necessary to pay the same, to accomplish such repairs, to procure and maintain such insurance or to so perform. Secured Party is hereby authorized to enter upon any property in the possession or control of the Debtors for such purposes.

6.14 All rights, powers and remedies granted Secured Party herein, or otherwise available to Secured Party, are for the sole benefit and protection of Secured Party, and Secured Party may exercise any such right, power or remedy at its option and in its sole and absolute discretion without any obligation to do so. In addition, if under the terms hereof, Secured Party is given two or more alternative courses of action, Secured Party may elect any alternative or combination of alternatives at its option and in its sole and absolute discretion. All monies advanced by Secured Party under the terms hereof and all amounts paid, suffered or incurred by Secured Party in exercising any authority granted herein, including attorneys' fees, shall be added to the Obligations, shall be secured by the Security Interest, shall bear interest at the highest rate payable on any of the Obligations until paid, and shall be due and payable by the Debtors to Secured Party immediately without demand.

6.15 Each of the Debtors will perform its obligations under the Contracts and each Debtor also agrees it will make no changes in or amendments to the Contracts, including, without limitation, any amendments, supplements, addenda, modifications or extensions, without the express written consent of Secured Party. Each Debtor agrees to make, execute and deliver all such further or additional instruments as may be reasonably necessary to satisfy the intent and purposes hereof and to perfect the Collateral Assignment.

7. NOTIFICATION AND PAYMENTS; COLLECTION OF COLLATERAL; USE OF COLLATERAL BY THE DEBTORS

7.1 Secured Party, after notice to the Debtors, may notify any or all Obligor of the existence of the Security Interest and may direct the Obligor to make all payments on the Collateral to Secured Party; provided, however, that no notice to the Debtors is required if an Event of Default has occurred. Until Secured Party has notified the Obligor to remit payments directly to it, the Debtors, at the Debtors' own cost and expense, shall collect or cause to be collected the accounts and monies due under the accounts, documents, instruments and general intangibles or pursuant to the terms of the chattel paper. Secured Party shall not be liable or responsible for any embezzlement, conversion, negligence or default by the Debtors or the Debtors' agents with respect to such collections; all agents used in such collections shall be agents of the Debtors and not agents of Secured Party. Unless Secured Party notifies the Debtors in writing that it waives one or more of the requirements set forth in this sentence, any payments or other proceeds of Collateral received by the Debtors, before or after notification to Obligor, shall be held by the Debtors in trust for Secured Party in the same form in which received, shall not be commingled with any assets of the Debtors and shall be turned over to Secured Party not later than the next business day following the day of receipt. All payments and other proceeds of Collateral received by Secured Party directly or from the Debtors shall be applied to the Obligations in such order and manner and at such time as Secured Party, in its sole discretion, shall determine. In addition, the Debtors shall promptly notify Secured Party of the return to or possession by the Debtors of goods underlying any Collateral; The Debtors shall hold the same in trust for Secured Party and shall dispose of the same as Secured Party directs.

7.2 Secured Party, after notice to the Debtors, may demand, collect and sue on the Collateral (either in the Debtors' or Secured Party's name), enforce, compromise, settle or

discharge the Collateral and endorse each of the Debtors' names on any instruments, documents, or chattel paper included in or pertaining to the Collateral; provided, however, that no notice to the Debtors is required if an Event of Default has occurred. Each of the Debtors hereby irrevocably appoints Secured Party its attorney in fact for all such purposes.

7.3 Until the occurrence of an Event of Default, the Debtors may: (i) use, consume and sell any inventory included in the Collateral in any lawful manner in the ordinary course of the Debtors' business provided that all sales shall be at commercially reasonable prices; and (ii) subject to Paragraphs 6.1 and 6.2 above, retain possession of any other Collateral and use it in any lawful manner consistent with this Agreement and the Credit Agreement.

8. COLLATERAL IN THE POSSESSION OF SECURED PARTY

8.1 Secured Party shall use such reasonable care in handling, preserving and protecting the Collateral in its possession as it uses in handling similar property for its own account. Unless caused solely by the gross negligence or willful misconduct of Secured Party (as determined by a final, non-appealable judgment of a court of competent jurisdiction), Secured Party shall have no liability for the loss, destruction or disappearance of any Collateral. A lack of due care shall not be implied solely by virtue of any loss, destruction or disappearance.

8.2 The Debtors shall be solely responsible for taking any and all actions to preserve rights against all Obligor; Secured Party shall not be obligated to take any such actions whether or not the Collateral is in Secured Party's possession. Each of the Debtors waives presentment and protest with respect to any instrument included in the Collateral on which such Debtor is in any way liable and waives notice of any action taken by Secured Party with respect to any instrument, document or chattel paper included in any Collateral that is in the possession of Secured Party.

9. EVENTS OF DEFAULT; REMEDIES

9.1 The occurrence of any of the following events or conditions shall constitute and is hereby defined to be an "Event of Default":

(a) The occurrence of any Event of Default under and as defined in the Credit Agreement.

(b) Any failure or neglect to perform, observe or comply with any term, obligation, provision, covenant or condition of this Agreement, and such failure or neglect is not remedied within the applicable cure period provided in the Credit Agreement, if any, or within fifteen (15) days after such failure, whichever is less.

(c) Any warranty, representation or statement made by the Debtors pursuant to this Agreement is false or misleading in any material respect, either now or at the time made.

(d) Any levy or execution upon, or judicial seizure of, any portion of the Collateral or any other collateral or security for the Obligations, unless being contested in good faith and for which Debtor has provided to Lender a bond or other security reasonably satisfactory to Lender.

(e) Any attachment or garnishment of, or the existence or filing of any lien or encumbrance, except for Permitted Liens, against any portion of the Collateral or any other collateral or security for the Obligations that is not removed and released within fifteen (15) days after its creation, unless being contested in good faith and for which Debtor has provided to Lender a bond or other security reasonably satisfactory to Lender.

(f) The institution of any legal action or proceedings to enforce any lien or encumbrance upon any portion of the Collateral or any other collateral or security for the Obligations, that is not dismissed within sixty (60) days after its institution, unless being contested in good faith and for which Debtor has provided to Lender a bond or other security reasonably satisfactory to Lender.

(g) The abandonment by any of the Debtors of all or any part of the Collateral, other than inventory sold, or obsolete personalty disposed of, in the ordinary course of business.

(h) The uninsured loss, theft or destruction of, or any substantial damage to, a material portion of the Collateral or any other collateral or security for the Obligations.

9.2 Upon the occurrence of any Event of Default and at any time while such Event of Default is continuing, Secured Party shall have the following rights and remedies and may do one or more of the following:

(a) Declare all or any part of the Obligations to be immediately due and payable, and the same, with all costs and charges, shall be collectible thereupon by action at law.

(b) Without further notice or demand and without legal process, take possession of the Collateral wherever found and, for this purpose, enter upon any property occupied by or in the control of any of the Debtors. The Debtors, upon demand by Secured Party, shall assemble the Collateral and deliver it to Secured Party or to a place designated by Secured Party that is reasonably convenient to both parties.

(c) Operate the business of the Debtors as a going concern, including, without limitation, extend sales or services to new customers and advance funds for such operation. Secured Party shall not be liable for any depreciation, loss, damage or injury to the Collateral or other property of the Debtors as a result of

such action. Each of the Debtors hereby waives any claim of trespass or replevin arising as a result of such action.

(d) Pursue any legal or equitable remedy available to collect the Obligations, to enforce its title in and right to possession of the Collateral and to enforce any and all other rights or remedies available to it.

(e) Upon obtaining possession of the Collateral or any part thereof, after notice to the Debtors as provided in Paragraph 8.4 herein, sell such Collateral at public or private sale either with or without having such Collateral at the place of sale. The proceeds of such sale, after deducting therefrom all reasonable expenses of Secured Party in taking, storing, repairing and selling the Collateral (including reasonable attorneys' fees) shall be applied to the payment of the Obligations, and any surplus thereafter remaining shall be paid to the Debtors or any other person that may be legally entitled thereto. In the event of a deficiency between such net proceeds from the sale of the Collateral and the total amount of the Obligations, the Debtors, upon demand, shall promptly pay the amount of such deficiency to Secured Party.

9.3 Secured Party, so far as may be lawful, may purchase all or any part of the Collateral offered at any public or private sale made in the enforcement of Secured Party's rights and remedies hereunder.

9.4 Any demand or notice of sale, disposition or other intended action hereunder or in connection herewith, whether required by the Uniform Commercial Code or otherwise, shall be deemed to be commercially reasonable and effective if such demand or notice is given to the Debtors at least ten (10) days prior to such sale, disposition or other intended action, in the manner provided herein for the giving of notices.

9.5 The Debtors shall pay all costs and expenses, including without limitation costs of Uniform Commercial Code searches, court costs and reasonable attorneys' fees, incurred by Secured Party in enforcing payment and performance of the Obligations or in exercising the rights and remedies of Secured Party hereunder. All such costs and expenses shall be secured by this Agreement and by all deeds of trust and other lien and security documents securing the Obligations. In the event of any court proceedings, court costs and attorneys' fees shall be set by the court and not by jury and shall be included in any judgment obtained by Secured Party.

9.6 In the event of the commencement of a bankruptcy case by or against any of the Debtors or involving any of the Collateral, Secured Party, to the extent not already provided for herein or in the Credit Agreement, shall be entitled to recover, and the Debtors shall be obligated to pay, Secured Party's reasonable attorneys' fees and costs incurred in connection with: (a) any determination of the applicability of the bankruptcy laws to the terms of this Agreement, the Credit Agreement, the Loan Documents or the Related Documents or Secured Party's rights hereunder or thereunder; (b) any attempt by Secured Party to enforce or preserve its rights under the bankruptcy laws, or to prevent any of the Debtors or any other person from seeking to deny Secured Party its rights thereunder; (c) any effort by Secured Party to protect, preserve, or

enforce its rights against the Collateral, or seeking authority to modify the automatic stay of 11 U.S.C. § 362 or otherwise seeking to engage in such protection, preservation, or enforcement; or (d) any civil proceeding(s) arising under the bankruptcy laws, or arising in or related to a case under the bankruptcy laws.

9.7 In addition to any remedies provided herein for an Event of Default, Secured Party shall have all the rights and remedies afforded a secured party under the Uniform Commercial Code and all other legal and equitable remedies allowed under applicable law and the Credit Agreement. No failure on the part of Secured Party to exercise any of its rights hereunder arising upon any Event of Default shall be construed to prejudice its rights upon the occurrence of any other or subsequent Event of Default. No delay on the part of Secured Party in exercising any such rights shall be construed to preclude it from the exercise thereof at any time while that Event of Default is continuing. Secured Party may enforce any one or more rights or remedies hereunder successively or concurrently. By accepting payment or performance of any of the Obligations after its due date, Secured Party shall not thereby waive the agreement contained herein that time is of the essence, nor shall Secured Party waive either its right to require prompt payment or performance when due of the remainder of the Obligations or its right to consider the failure to so pay or perform an Event of Default.

9.8 Secured Party may exercise its rights under the Collateral Assignment only upon the occurrence and continuance of an Event of Default, and immediately upon written notice to Debtors made as provided in the Credit Agreement that Secured Party is exercising its rights hereunder, Secured Party shall succeed to all Debtors' right, title and interest to and under the Contracts; provided, however, that Secured Party does not hereby assume any of Debtors' obligations or duties under or in connection with said Contracts until and unless Secured Party shall exercise its rights hereunder. Unless and until Secured Party has sent Debtors notice of its exercise of its rights hereunder after the occurrence of an Event of Default under the Credit Agreement, Debtors shall have the sole right to retain, use, and enjoy the benefits of the Contracts.

10. TERMINATION

This Agreement shall terminate and be of no further force or effect, except for such representations, covenants and indemnities which survive the termination of this Agreement, upon the full satisfaction of all Obligations under any of the Loan Documents or Related Documents (other than the Warrant Agreement).

11. MISCELLANEOUS PROVISIONS

11.1 Each of the Debtors hereby appoints Secured Party as its true and lawful attorney-in-fact, with full power of substitution to do the following: (i) to demand, collect, receive, receipt for, sue and recover all sums of money or other property which may now or hereafter become due, owing or payable from the Collateral; (ii) to execute, sign and endorse any and all claims, instruments, receipts, checks, drafts or warrants issued in payment for the Collateral; (iii) to settle or compromise any and all claims arising under the Collateral, and, in the place and stead of such Debtor to execute and deliver its release and settlement for the claim; (iv) to file

any claim or claims or to take any action or institute or take part in any proceedings, either in its own name or in the name of such Debtor, or otherwise, which in the sole and absolute discretion of Secured Party may seem to be necessary or advisable; (v) to execute any documents necessary to perfect or continue the Security Interest; (vi) to exercise any or all of Debtors' rights in, to and under the Contracts and (vii) to do any or all other acts, in any of the Debtors' name or in Secured Party's own name, that any of the Debtors could do under the Contracts with the same force and effect as if the Collateral Assignment had not been made.. The powers granted in clauses (i), (ii), (iii), (iv), (vi) and (vii) may only be exercised by Secured Party after the occurrence of a Default or an Event of Default while such Default or Event of Default is continuing. This power is a power coupled with an interest and is given as security for the Obligations, and the authority hereby conferred is and shall be irrevocable and shall remain in full force and effect until renounced by Secured Party or until all of the Obligations of Borrowers to Lender pursuant to the Loan Documents and the Related Documents (other than the Warrant Agreement) are repaid and performed in full.

11.2 In addition to all liens upon and rights of setoff against the monies, securities or other property of the Debtors given to Secured Party by law, Secured Party shall have a lien and a right of setoff against, and each of the Debtors hereby grants to Secured Party a security interest in, all monies, securities and other property of the Debtors now or hereafter in the possession of or on deposit with Secured Party, whether held in a general or special account or deposit including any account or deposit held jointly by the Debtors with any other person or entity, or for safekeeping or otherwise, except to the extent specifically prohibited by law. Every such lien, right of setoff and security interest may be exercised after the occurrence of an Event of Default while such Event of Default is continuing, but without any additional demand upon or notice to the Debtors. No lien, right of setoff or security interest shall be deemed to have been waived by any act or conduct on the part of Secured Party, by any neglect to exercise such right of setoff or to enforce such lien or security interest, or by any delay in so doing.

11.3 In addition to the indemnities contained in the Credit Agreement, the Debtors agree to indemnify, defend, protect and hold harmless Secured Party, and its affiliates and their respective successors, assigns and shareholders and the directors, officers, employees, agents and attorneys of the foregoing (collectively, "**Indemnified Parties**") for, from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the reasonable fees and disbursements of counsel for such Indemnified Parties in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not such Indemnified Parties are designated parties thereto) that may be imposed on, incurred by, or asserted against the Indemnified Parties, in any manner relating to or arising out of the Loans, the Credit Agreement, this Agreement or the other Loan Documents or Related Documents ("**Indemnified Liabilities**"); provided, however, that none of the Debtors shall have any obligation to any Indemnified Parties hereunder with respect to Indemnified Liabilities arising from the gross negligence or intentional or willful misconduct of that Indemnified Party (as determined by a final, non-appealable judgment of a court of competent jurisdiction).

11.4 The acceptance of this Agreement by Secured Party shall not be considered a waiver of or in any way to affect or impair any other security that Secured Party may have,

acquire simultaneously herewith, or hereafter acquire for the payment or performance of the Obligations, nor shall the taking by Secured Party at any time of any such additional security be construed as a waiver of or in any way to affect or impair the Security Interest; Secured Party may resort, for the payment or performance of the Obligations, to its several securities therefor in such order and manner as it may determine.

11.5 Without notice or demand, without affecting the obligations of the Debtors hereunder or the personal liability of any person for payment or performance of the Obligations, and without affecting the Security Interest or the priority thereof, Secured Party, from time to time, may: (i) extend the time for payment of all or any part of the Obligations, accept a renewal note therefor, reduce the payments thereon, release any person liable for all or any part thereof, or otherwise change the terms of all or any part of the Obligations; (ii) take and hold other security for the payment or performance of the Obligations and enforce, exchange, substitute, subordinate, waive or release any such security; (iii) join in any extension or subordination agreement; or (iv) release any part of the Collateral from the Security Interest.

11.6 Each of the Debtors waives and agrees not to assert: (i) any right to require Secured Party to proceed against any guarantor, to proceed against or exhaust any other security for the Obligations, to pursue any other remedy available to Secured Party, or to pursue any remedy in any particular order or manner; (ii) the benefits of any legal or equitable doctrine or principle of marshalling; (iii) the benefits of any statute of limitations affecting the enforcement hereof; (iv) demand, diligence, presentment for payment, protest and demand, and notice of extension, dishonor, protest, demand and nonpayment, relating to the Obligations; and (v) any benefit of, and any right to participate in, any other security now or hereafter held by Secured Party.

11.7 This Agreement shall be governed by and construed according to the substantive laws of the State of Arizona, except to the extent Secured Party has greater rights or remedies under Federal law, whether as a national bank or otherwise, in which case such choice of Arizona law shall not be deemed to deprive Secured Party of any such rights and remedies as may be available under Federal law, and except as to those laws of the state where each of the Debtors is organized that govern the realization or enforcement of the security interest granted by the Debtors in this Agreement. Each of the Debtors consents to the personal jurisdiction and venue of the state courts located in Maricopa County, Arizona in connection with any controversy related to this Agreement, waives any argument that venue in any such forum is not convenient and agrees that, at the option of Secured Party, any litigation initiated by any of them in connection with this Agreement may be venued in the Superior Court of Maricopa County, Arizona. The parties waive any right to trial by jury in any action or proceeding based on or pertaining to this Agreement. EACH PARTY HERETO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO REQUIRE A TRIAL BY JURY IN ANY COURT ACTION PERTAINING TO THE OBLIGATIONS OR THE LOAN DOCUMENTS, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

11.8 Each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be void

or invalid, the same shall not affect the remainder hereof which shall be effective as though the void or invalid provision had not been contained herein.

11.9 No modification, change, rescission, waiver, release or amendment of any provision of this Agreement shall be made except by a written agreement executed by the Debtors and a duly authorized officer of Secured Party.

11.10 This is a continuing Agreement which shall remain in full force and effect until actual receipt by Secured Party of written notice of its revocation as to future transactions and shall remain in full force and effect thereafter until all of the Obligations incurred before the receipt of such notice, and all of the Obligations incurred thereafter under commitments extended by Secured Party before the receipt of such notice, shall have been paid and performed in full.

11.11 No setoff or claim that any of the Debtors now has or may in the future have against Secured Party shall relieve such Debtor from paying or performing the Obligations.

11.12 Time is of the essence hereof. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their heirs, personal representatives, successors and assigns. The term "Secured Party" shall include not only the original Secured Party hereunder but also any future owner and holder, including pledgees, of note or notes evidencing the Obligations. The provisions hereof shall apply to the parties according to the context thereof and without regard to the number or gender of words or expressions used.

11.13 None of the Debtors shall transfer or assign any of the rights or obligations of such Debtor under the Credit Agreement, this Agreement or the other Loan Documents or Related Documents without the prior written consent of Secured Party, which may be given or withheld by Secured Party in its sole and absolute discretion.

11.14 All notices required or permitted to be given hereunder shall be in writing and may be given, and shall become effective, as provided in the Credit Agreement.

11.15 A carbon, photographic or other reproduced copy of this Agreement and/or any financing statement relating hereto shall be sufficient for filing and/or recording as a financing statement.

11.16 The obligations of the Debtors under this Agreement shall be joint and several.

11.17 Each of the Debtors authorizes Secured Party, without notice or demand, without affecting the Obligations of such Debtor hereunder or the personal liability of any person for payment or performance of the Obligations and without affecting the lien or the priority of the Security Interest, from time to time, at the request of any person primarily obligated therefor, to renew, compromise, extend, accelerate or otherwise change the time for payment or performance of, or otherwise change the terms of, all or any part of the Obligations, including increase or decrease any rate of interest thereon. Each of the Debtors waives and agrees not to assert: (i) any right to require Secured Party to proceed against the other Debtors; (ii) the benefits of any statutory provision limiting the liability of a surety, including without limitation the benefit of

Section 12-1641, et seq., of the Arizona Revised Statutes; and (iii) any defense arising by reason of any disability or other defense of any of the Debtors or by reason of the cessation from any cause whatsoever of the liability of any of the Debtors. None of the Debtors shall have any right of subrogation and each of the Debtors hereby waives any right to enforce any remedy which Secured Party now has, or may hereafter have, against any of the Debtors.

[Signature page follows]

IN WITNESS WHEREOF, these presents are executed as of the date indicated above.

AMRB, LLC, a Delaware limited liability company

By: Donald D. Napier III
Name: Donald D. Napier III
Its: Executive Vice President & Secretary

AmBath, LLC, a Delaware limited liability company

By: Donald D. Napier III
Name: Donald D. Napier III
Its: Executive Vice President & Secretary

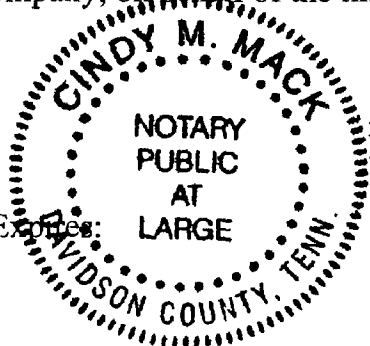
ReBath, LLC, a Delaware limited liability company

By: Donald D. Napier III
Name: Donald D. Napier III
Its: Executive Vice President & Secretary

THE DEBTORS

STATE OF Tennessee)
COUNTY OF Davidson)ss.

The foregoing instrument was acknowledged before me this 18th day of January 2002, by Donald D. Napier, III, Executive Vice President and Secretary of AMRB, LLC, a Delaware limited liability company, on behalf of the limited liability company.



Cindy M. Mack
Notary Public

My Commission Expires:

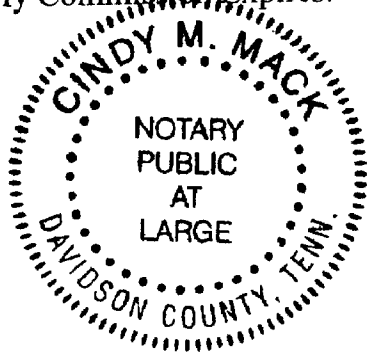
My Commission Expires JULY 30, 2005

STATE OF Tennessee)
COUNTY OF Davidson)ss.

The foregoing instrument was acknowledged before me this 18th day of January 2002, by Donald D. Napier, III, Executive Vice President and Secretary of AmBath, LLC, a Delaware limited liability company, on behalf of the limited liability company.

Cindy M. Mack
Notary Public

My Commission Expires:



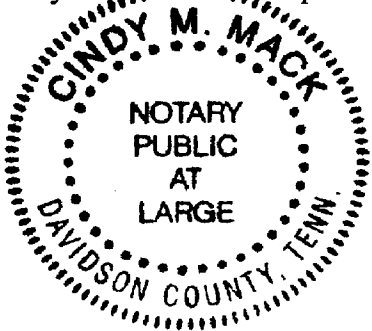
My Commission Expires JULY 30, 2005

STATE OF Tennessee)
COUNTY OF Davidson)ss.

The foregoing instrument was acknowledged before me this 18th day of January 2002, by Donald D. Napier, III, Executive Vice President and Secretary of ReBath, LLC, a Delaware limited liability company, on behalf of the limited liability company.

Cindy M. Mack
Notary Public

My Commission Expires:



My Commission Expires JULY 30, 2005

SCHEDULE "A"
TO SECURITY AGREEMENT

COLLATERAL DESCRIPTION

All of the property described below in, to or under which any of the Debtors now has or hereafter acquires any right, title or interest, whether present, future or contingent, and in any of the Debtors' expectancy to acquire such property (all of the property described on this schedule is herein called the "Collateral"):

1. All accounts, receivables, contract rights, rights to payment, documents of title, deposit accounts, certificates of deposit, investment property, intellectual property (including without limitation the intellectual property set forth on Schedule A-2 attached hereto), general intangibles, instruments, documents and chattel paper (including all accounts receivable, notes, drafts, lease agreements and security agreements), and all goods, if any, represented thereby, whether now existing or hereafter acquired or created from time to time in the course of the Debtors' business, including, without limitation, such agreements as are set forth on Schedule A-1 attached hereto, as the same may be amended or supplemented from time to time;
2. All inventory now owned or hereafter acquired, including all goods held for sale or lease in the Debtors' business, as now or hereafter conducted, and all materials, work in process and finished goods used or to be consumed in the Debtors' business (whether or not the inventory is represented by warehouse receipts or bills of lading or has been or may be placed in transit or delivered to a public warehouse);
3. All equipment now owned or hereafter acquired, including all furniture, fixtures, furnishings, vehicles (whether titled or non-titled), machinery, materials and supplies, wherever located, including but not limited to such items described on the collateral schedule (if any) attached hereto and by this reference made a part hereof, together with all parts, accessories, attachments, additions thereto or replacements therefor;
4. All negotiable and nonnegotiable documents of title;
5. All monies, securities, instruments, documents and chattel paper now held by or hereafter delivered to Secured Party, together with all property rights and security interests evidenced thereby, all increases thereof (including, without limitation, stock dividends),

all profits therefrom and all transformations thereof, including but not limited to such items described on the collateral schedule (if any) attached hereto and by this reference made a part hereof;

6. All tax refund claims, all policies or certificates of insurance covering any of the Collateral, all contracts, agreements or rights of indemnification, guaranty or surety relating to any of the Collateral, and all claims, awards, loss payments, proceeds and premium refunds that may become payable with respect to any such policies, certificates, contracts, agreements or rights;
7. All ledger cards, invoices, delivery receipts, worksheets, books of accounts, statements, correspondence, customer lists, files, journals, data, ledgers and records in any form, written or otherwise, including any computer readable memory and any computer hardware or software necessary to utilize, create, maintain and process such memory related to any of the Collateral;
8. Tradenames, trademarks, service marks, logos, insignia and other distinctive marks or names (subject to any franchise or license agreements relating thereto);
9. All claims for loss or damage to or in connection with any of the Collateral, all other claims in any form for the payment of money, including tort claims, and all rights with respect to such claims and all proceeds thereof;
10. All attachments, accessions, tools, parts, supplies, increases and additions to and replacements, extensions, renewals, modifications of and substitutions for any of the Collateral;
11. All products and proceeds of the Collateral, in any form, including all proceeds received, due or to become due from any sale, lease exchange or other disposition of any of the Collateral, whether such proceeds are cash or noncash in nature or are represented by checks, drafts, notes or other instruments for the payment of money;

All "Collateral Schedules," if any, attached hereto are hereby incorporated into this collateral description as if set forth here and at each reference thereto.

SCHEDULE "A-1"
TO SECURITY AGREEMENT

AGREEMENTS AND CONTRACTS

1. Non-Competition Agreement, dated as of January 18, 2002, by and among AMRB, LLC, a Delaware limited liability company, D. Highly Falkner, Joseph C. Cattaneo, Kurt G. Kittleson, Richard B. Weiss, Chant Manoukian, Richard Cagan and David G. Sanders; as amended by the Letter Agreement dated January 18, 2002 and executed by Donald D. Napier as Executive Vice President and Secretary of AMRB, LLC.
2. Agreement title "Comprehensive Supply Proposal for Plastics Materials," dated August 22, 2001, by and between Ambath Corporation and Spartech Plastics, as amended by that certain Asset Purchase Agreement, dated January 18, 2002, pursuant to which the interest of Ambath Corporation as the original lessee was assigned to AMRB, LLC.
3. Lease, dated January 18, 2002, between Country Club Investments L.L.C., as lessor, and AMRB, LLC, as lessee, for the premises located at 1055 S. Country Club, Mesa, Arizona 85210, and expiring on December 31, 2011, with the option of renewing the Lease for two consecutive six-year renewal periods.
4. Sublease, dated January 18, 2002, between Ambath Corporation, an Arizona corporation, as sublessor, and AmBath, LLC, as Delaware corporation, as sublessee, of sublessor's leasehold interest created by that certain Multi-Tenant Gross Lease, dated April 4, 2000, between Chilton Business Center, as Lessor, and AmBath Corp., Inc., as Lessee, for the premises located at 261 E. Chilton Drive, Chandler, Arizona 85225, and expiring on May 31, 2003.
5. Lease, dated October 19, 1998, between Norwest Bank, as successor Custodian for the Arizona Laborers, Teamsters & Cement Masons Local #395 Pension Trust Fund, as Landlord, and ReBath Corporation, as Tenant, for the premises located at 4201 East Thomas Road, Suite A, Phoenix, Arizona 85018, and expiring on October 18, 2003; as amended by that certain Assignment of Lease, dated January 18, 2002, pursuant to which the interest of Re-Bath Corp. as the original lessee was assigned to ReBath, LLC.

**SCHEDULE "A-2"
TO SECURITY AGREEMENT**

Trademark Registrations

ITEM	ABL/RB	TM/SM COPY	APPL. DATE	REG. NO.	REG. DATE	DECLARATION OF USE DUE	DATE SENT	RENEWAL DATE
R/B tub over tub w/ ovals	Re-Bath	TM	2/93	1876486	1/31/95	1/31/00/01	1/26/01	1/31/05
R/B tub over tub w/ ovals	RB	SM	2/93	1864893	11/29/94	11/29/99/00	11/16/00	11/29/04
Re-Bath	Re-Bath	TM	5/20/83	1285159	7/10/84	7/10/90/91	4/11/90	7/10/04
Rebath (Canada Regis.)	ABL	TM	8/30/98	358263	7/7/89			7/07/04
AmBath	AmBath	TM	11/21/00	1210474	5/22/00	Renewal Affidavit 9/27/02		9/28/02

Copyright Registrations

REG NO.	TITLE	DESCRIPTION	CLAIMANT	CREATED	PUBLISHED	REGISTERED	APP. TITLE
TX-4-199-266 (COHM) <u>226</u>	We've got you covered in just one day; we put a new bathtub over your old one.		Re-Bath Corporation	1995	9/15/95	10/23/95	Re-Bath Consumer Brochure
TX-4-242-612 (COHM)	[Re-Bath info sheets]	4 p.	Re-Bath Corporation	1995	10/15/95	1/16/96	
PA-790-482	Replacement shower base/ shower base liner installation video instructional	Videocassette; ½ in.	Re-Bath Corporation	1997	1/29/97	2/04/97	
PA-820-365	Wall surround installation instructional video	Videocassette; ½ in.	Re-Bath Corporation	1996	9/27/96	11/26/96	
PA-820-529	Bathtub liner installation instructional	Videocassette; ½ in.	Re-Bath Corporation	1996	7/02/96	12/02/96	
TX-4-285-340	Finally, a business opportunity that really holds water	1 v.	Re-Bath Corporation	1995	11/15/95	2/28/96	Re-Bath franchise development booklet
TX-4-176-028	[American	Folder & 1 v.	American	1995	10/15/95	1/11/96	

	Bathtub Liners, Inc.'s product sheets]		Bathtub Liners, Inc.				
TX-4-190-540	Now here's an idea that really holds water.	Folder.	American Bathtub Liners, Inc.	1995	10/02/95	10/24/95	American Bathtub Liners, Inc., direct mail brochure

Patents originally granted to AmBath Corporation

<u>Patent Number</u>	<u>Issue Date</u>	<u>Title</u>	<u>Inventor's Name</u>
5,902,444	May 11, 1999	Flowable Silicon Product and Process	Falkner et al.

SCHEDULE "B"
TO SECURITY AGREEMENT

ADDRESSES
(Section 4)

1. 1055 S. Country Club Drive, Mesa, Arizona 85210.
2. 261 E. Chilton Drive, Chandler, Arizona 85225.
3. 4201 E. Thomas Road, Suite A, Phoenix, Arizona 85018.